Cc: Patrick Luckow[PLuckow@synapse-energy.com]; Sarah Jackson[sjackson@synapse-energy.com]; Nidhi R. Santen[nrsanten@synapse-energy.com]
To: Jeremy Fisher[jfisher@synapse-energy.com]
From: DeYoung, Robyn
Sent: Fri 4/24/2015 4:47:59 PM
Subject: Fwd: Follow-up - Interstate Effects Discussion

Hi all

FYI to keep you in the loop on rate/mass interaction. Beth is leading the preamble write up on how to handle this. Even though I've been vocal on the doing the emissions impact criteria as a feasible solution, Chris and Beth do not like it and they have the pen at this point. On Monday if you have ideas for enhancing the Generation Flow criteria we can bolster this approach in the preamble. See below for context.

Thanks
Robyn

Begin forwarded message:

From: "Conlin, Beth" <Conlin.Beth@epa.gov>
Date: April 24, 2015 at 11:46:27 AM EDT
To: "Harvey, Reid" <Harvey.Reid@epa.gov>, "Culligan, Kevin" <Culligan.Kevin@epa.gov>
Cc: "DeYoung, Robyn" <DeYoung.Robyn@epa.gov>, "Mulholland, Denise" <Mulholland.Denise@epa.gov>, "Sherry, Christopher" <Sherry.Chris@epa.gov>, "Hight, Cate" <Hight.Cate@epa.gov>, "Sims, Ryan" <Sims.Ryan@epa.gov>, "Clouse, Matt" <Clouse.Matt@epa.gov>, "Stenhouse, Jeb" <Stenhouse.Jeb@epa.gov>, "Froikin, Sara" <Froikin.Sara@epa.gov>, "Dietsch, Nikolaas" <Dietsch.Nikolaas@epa.gov>
Subject: RE: Follow-up - Interstate Effects Discussion

One update based on feedback from Chris – the potential generation flow analysis for EE should be a showing that the EE in the mass state avoids generation from affected sources in the rate state (not affected source generation in the mass state imported to the rate state).

I am going ahead and drafting preamble along these lines in Sharepoint, but happy to receive comments as I write.

Beth Conlin
Clean Air Markets Division

Environmental Protection Agency
202-343-9172

From: Conlin, Beth
Sent: Friday, April 24, 2015 10:01 AM
To: Harvey, Reid; Culligan, Kevin
Cc: DeYoung, Robyn; Mulholland, Denise; Sherry, Christopher; Hight, Cate; Sims, Ryan; Clouse, Matt; Stenhouse, Jeb; Froikin, Sara; Dietsch, Nikolaas
Subject: Follow-up - Interstate Effects Discussion

Hi Reid & Kevin,

To follow up on the interstate effects discussion with Janet yesterday, I've outlined the approach that I am proposing to draft for preamble. Comments welcome.

Also, staff had some concerns about the discussion yesterday. In particular, we want to emphasize that t**here is universal staff consensus that the rate/mass problem is not double counting.** The structure of MWh crediting inherently prevents double counting in this case, by allowing the two benefits of EE/RE, the reduction of mass affecting the numerator and zero-emitting generation added to the denominator, to be divided across parties.

•□□□□□□□ The mass state is getting the emission reduction benefit, the rate state is not. The rate state is getting to credit the MWh reduction toward meeting their goal, the mass state has no capacity to use that credit.

•□□□□□□□ There can be an erosion of expected reductions because both states benefit in part from a single EE/RE action, but **to call this double counting includes an implicit assumption that two states are claiming the emission reductions, which is not the case**.

Draft outline for Interstate effects preamble:

•□□□□□□□ Approach: rate states can credit mass state EE/RE if they meet certain conditions, and state have options as to how to demonstrate that conditions are met. Here are options for those conditions that need to be specified in the preamble for plan approval

•□□□□□□□□ Conditions:

- **Proposed Recommendation -- Generation Flow Criteria:** If the EE/RE provider can show they affect generation flowing to the rate-based state, the rate state can issue credits

  - This is compatible with MWh credits, where it is explicitly a generation credit that is being provided to the rate state

  - It is a simpler method compared to the alternative

  - Examples of possible demonstrations (not planning to include in preamble)

•□□□□□□□□ **RE:** this can be simple – the RE provider shows the power is being delivered to the rate-based state. It makes sense for the rate state to receive that MWh amount as it is created the demand for that power, and the emission reduction occurs on the regional grid, likely benefiting the mass state to some extent

•□□□□□□□□ **EE:** is much more complicated, but there is less likelihood of providers trying to make this demonstration, unlike the need to address RE imports. The EE provider shows that the EE is avoiding generation that would have flowed to the rate state, based on modeling of EE savings impacts and delivery contracts of affected generation.

- **Not recommended -- Emission Impact Criteria:**

  - This is not compatible with the MWh crediting in question, which is a separate consideration from where the emission reduction occurs

  - For RE and EE it would require periodic state-by-state modeling of the probable avoided generation for EE and modeling associated emission reductions for both RE and EE, or would use simple approximations that could mischaracterize the effects

  - If we are being this precise with rate-mass interactions, it might seem inconsistent to not require similar analysis for all types of interstate effects, including rate-based RE/EE that impacts mass states (a la Oregon and California in their comments) and even rate-rate interstate effects interactions, which would add significant complexity to compliance.

Note: Understanding of these concepts are greatly enhanced by familiarity with the MWh accounting method, which is why we may want to put that back on the agenda for discussion.

Thanks,

Beth

Beth Conlin
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